

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 AGR-05 STR-04 SS-15 NSC-05 L-02

H-02 PA-01 USIA-06 PRS-01 IO-10 /098 W
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R 022148Z APR 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 9624

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY BRAZILIA

C O N F I D E N T I A L TEGUCIGALPA 1250

E.O. 11652: GDS

TAGS: EAGR, HO

SUBJECT: BANANAS, BENNATON'S VIEWS

REF: TEGUCIGALPA 1099

1. MINISTER OF ECONOMY, ABRAHAM BENNATON, DISCUSSED BANANA SITUATION WITH ECOMOFF APRIL 2. BENNATON HAS HOPES THAT MEETING OF EXPERTS OF UNION OF BANANA EXPORTING COUNTRIES (UPEB) WILL RESULT IN GREATER COORDINATION WSD STRENGTHENING OR ORGANIZATION. HE EXPECTS PRIMARY VALUE TO COME FROM SELECTION OF STUDIES TO BE MADE BY UN TECHNICAL ASSISTANCE PROGRAM.

2. BENNATON DISCUSSED BANANA COMMISSION MEETING WITH STANDARD FRUIT WITHOUT ADDING TO PREVIOUS REPORTED INFORMATION
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OBTAINED FROM COMPANY AND MINISTER OF LABOR, FONSECA.

BENNATON STATED HE FAVORED A JOINT VENTURE IN SUGAR WITH STANDARD BUT THAT UNWILLINGNESS OF STANDARD TO PROVIDE FINANCING AND UNWILLINGNESS OF STANDARD'S UNION TO ACCEPT SHIFT OF CROPS KILLED PROPOSAL. BENNATON DID NOT KNOW WHEN EXPROPRIATION PROCEEDINGS WOULD COMMENCE ON ISLETA PROPERTIES, BUT FELT THAT INSTITUTO NACIONAL AGRARIO (INA) WOULD NEED TO MOVE RAPIDLY DUE TO UNEMPLOYMENT SITUATION.

3. CONCERNING UNITED BRANDS, THE COMPANY HAS PROPOSED THE SALE OF ABOUT 90,000 ACRES TO THE GOH FOR APPROXIMATELY \$12.5 MILLION. THE AREA INCLUDES 8,000 ACRES UNDER BANANA CULTIVATION AND RAIL INFRASTRUCTURE. MATTER TO BE GIVEN PRIORITY ECONOMIC STUDY UNDER HANDS OF MARIO PONCE, FORMER DIRECTOR OF THE INA. BENNATON STATED THAT PONCE WILL HAVE AUTHORITY TO DEAL ONLY WITH ECONOMIC ELEMENTS OF COST/BENEFIT AND NOTHING TO DO WITH POLITICAL OR ORGANIZATIONAL POSSIBILITIES. BENNATON FAVORS A JOINT VENTURE ARRANGEMENT WHICH WILL KEEP UNITED BRANDS ACTIVE AS A PARTICIPANT IN THE DEVELOPMENT OF THE AREA. HE IS NOT IN FAVOR OF SEEING THE COMPANY LEAVE HONDURAS AND SIMPLY BUY BANANAS AT THE PIER AS IT DOES IN ECUADOR.

4. GALVEZ BARNES, FORMER HONDURAN AMBASSADOR IN WASHINGTON, TOLD AMBASSADOR SANCHEZ THAT HE IS "ON RETAINER" FOR CASTLE AND COOK. HE RETAINS HIS FULL-TIME JOB WITH TAN AIRLINES. HE CONFIRMED THE COMPANY'S INTEREST IN BRAZIL AS A NEW SITE OF OPERATIONS.

5. COMMENT: BENNATON IS RESISTING THE RETREAT OF BOTH BANANA COMPANIES TOWARD THE SEA. HIS VIEWS ARE NOT SHARED BY ALL MEMBERS OF THE BANANA COMMISSION OR CABINET, BUT HE IS PERSISTING. THE OVERALL SITUATION IS A NATIONALISTIC ORIENTED GOVERNMENT DECISION-MAKING PROCESS IMPOSING UPON THE TWO MULTINATIONAL FIRMS NONVIABLE CONDITIONS OF OPERATION. THERE IS A WILLINGNESS UPON THE PART OF SEVERAL MEMBERS OF THE CABINET, IN PARTICULAR THE MINISTER OF FINANCE, ACOSTA BONILLA, TO SEE THE TWO COMPANIES LEAVE HONDURAS IF THEY WILL NOT COMPLY WITH IMPOSED CONDITIONS OF DOING BUSINESS. THE SITUATION HERE HAS BEEN PLACED ON EXTREMIS BECAUSE OF THE LOSSES IMPOSED BY HURRICANE FIFI. NEITHER THE GOVERNMENT, NOR

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THE UNIONS, NOR THE COMPANIES, ARE WILLING OR ABLE TO ACCEPT CUTBACK FROM PRE-HURRICANE EXPECTATIONS. EACH OF THE THREE IS ATTEMPTING TO MAIN ITSELF WHOLE AT THE COST OF THE OTHER TWO.
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